

AUDITOR'S REPORT
TOWNSHIP OF LAKETON, MICHIGAN
March 31, 2004

AUDITING PROCEDURES REPORT

Issued under P.A. 2 of 1968, as amended. Filing is mandatory.

Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name Township of Laketon	County Muskegon
Audit Date 3-31-2004	Opinion Date 7-16-2004	Date Accountant Report Submitted to State: JULY 28, 2004	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised - 3 2004
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ yes ☒ no 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ yes ☒ no 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ yes ☒ no 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ yes ☒ no 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ yes ☒ no 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ yes ☒ no 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ yes ☒ no 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ yes ☒ no 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ yes ☒ no 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	X		
Reports on individual federal financial assistance programs (program audits).			X
Single Audit Reports (ASLGU).			X

Certified Public Accountant (Firm Name) Calvin Meeusen Company, C.P.A., PLLC			
Street Address 1014 S. Beacon Blvd.	City Grand Haven	State MI	ZIP 49417
Accountant Signature <i>Calvin Meeusen</i> CPA			

CONTENTS

	Page
INDEPENDENT AUDITOR'S REPORT	3
GENERAL PURPOSE FINANCIAL STATEMENTS	
Combined Balance Sheet - All Fund Types and Account Groups	4
Combined Statement of Revenues, Expenditures and Changes in Fund Balance - All Governmental Fund Types	5
Combined Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual; General Fund and Building Department Fund	6
Combined Statement of Revenues and Expenditures and Changes in Retained Earnings - All Pro- prietary Fund Types	7
Combined Statement of Cash Flows - All Pro- prietary Fund Types	8
Notes to Financial Statements	9-20
SUPPLEMENTAL INFORMATION	
Statement of Expenditures - Budget and Actual - Detailed - General Fund	22-25
Statement of Revenues, Expenditures and Changes in Fund Balance, Budget and Actual - Building Department Fund	26
Combining Balance Sheet - All Proprietary Fund Types	27
Combining Statement of Revenues, Expenditures and Changes in Retained Earnings - All Proprietary Fund Types	28
Combining Statement of Cash Flows - All Proprietary Fund Types	29
Statement of Changes in Assets and Liabilities - Current Tax Collection Fund and Trust and Agency	30
Schedule of Indebtedness	31-32

CALVIN MEEUSEN COMPANY, C.P.A., PLLC

**CALVIN D. MEEUSEN
CERTIFIED PUBLIC ACCOUNTANT**

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INDEPENDENT AUDITOR'S REPORT

To the Township Board
Township of Laketon, Michigan

I have audited the accompanying general purpose financial statements of the Township of Laketon, Michigan, as of and for the year ended March 31, 2004. These financial statements are the responsibility of the Township of Laketon management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America as well as those procedures prescribed by the State Treasurer. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

My audit was conducted for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The combining and individual fund financial statements and schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the general purpose financial statements of the Township of Laketon, Michigan. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in my opinion, is fairly presented in all material respects in relation to the general purpose financial statements taken as a whole.

In my opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the Township of Laketon, as of March 31, 2004, and the results of its operations and the cash flows of its proprietary fund types for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Handwritten signature of Calvin D. Meeusen in cursive, followed by the text "C.P.A. PLLC".

Calvin D. Meeusen, C.P.A.
Grand Haven, Michigan
July 16, 2004

Township of Laketon, Michigan

COMBINED BALANCE SHEET - ALL FUND TYPES AND ACCOUNT GROUPS

March 31, 2004

	<u>Governmental Fund Types</u>	
	<u>General</u>	<u>Building Department</u>
ASSETS		
Cash	\$515,731	\$294,120
Investments (approximate market value \$1,353,333)	-	-
Receivables		
Taxes	12,085	-
Assessments - current	3,141	-
Assessments - deferred	39,278	-
Accounts	-	-
Investment interest	-	-
Prepaid expenses	-	-
Due from other funds	153,387	-
Due from other governmental units	68,466	-
Property, plant and equipment (Net of accumulated depreciation)	-	-
Total Assets	<u>\$792,088</u>	<u>\$294,120</u>
LIABILITIES AND FUND EQUITY		
Liabilities:		
Accounts payable	\$ -	\$ -
Due to other funds	-	142,153
Due to other governmental units	-	-
Contracts payable	-	-
Accrued liabilities	8,984	-
Deferred revenue	<u>42,419</u>	-
Total Liabilities	51,403	142,153
Fund Equity:		
Contributions in aid of construction	-	-
Less amortization	<u>-</u>	<u>-</u>
Investment in general fixed assets	-	-
Retained earnings		
Unreserved	-	-
Fund balance		
Undesignated	<u>740,685</u>	<u>151,967</u>
Total Fund Equity	<u>740,685</u>	<u>151,967</u>
Total Liabilities and Fund Equity	<u>\$792,088</u>	<u>\$294,120</u>

The accompanying notes are an integral part of this statement.

<u>Proprietary Fund Types</u>	<u>Fiduciary Fund Type</u>	<u>Account Groups General Fixed Assets</u>	<u>Totals (Memorandum) only)</u>
<u>Enterprise</u>	<u>Agency</u>		
\$1,811,268	\$ 12,201	\$ -	\$2,633,320
1,324,268	-	-	1,324,268
8,760	-	-	20,845
12,392	-	-	15,533
67,236	-	-	106,514
78,699	-	-	78,699
2,168	-	-	2,168
12,060	-	-	12,060
-	-	-	153,387
-	-	-	68,466
<u>3,495,473</u>	<u>-</u>	<u>1,141,376</u>	<u>4,636,849</u>
<u>\$6,812,324</u>	<u>\$ 12,201</u>	<u>\$1,141,376</u>	<u>\$9,052,109</u>
\$ 9,628	\$ -	\$ -	\$ 9,628
-	11,234	-	153,387
-	967	-	967
444,133	-	-	444,133
5,572	-	-	14,556
<u>-</u>	<u>-</u>	<u>-</u>	<u>42,419</u>
459,333	12,201	-	665,090
3,984,192	-	-	3,984,192
<u>(2,095,080)</u>	<u>-</u>	<u>-</u>	<u>(2,095,080)</u>
1,889,112	-	-	1,889,112
-	-	1,141,376	1,141,376
4,463,879	-	-	4,463,879
<u>-</u>	<u>-</u>	<u>-</u>	<u>892,652</u>
<u>6,352,991</u>	<u>-</u>	<u>1,141,376</u>	<u>8,387,019</u>
<u>\$6,812,324</u>	<u>\$ 12,201</u>	<u>\$1,141,376</u>	<u>\$9,052,109</u>

Township of Laketon, Michigan

COMBINED STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE

ALL GOVERNMENTAL FUND TYPES

Year ended March 31, 2004

	<u>Governmental Fund Types</u>		Totals (Memorandum Only)
	<u>General</u>	<u>Building Department</u>	
Revenues			
Taxes	\$ 164,277	\$ -	\$ 164,277
Licenses and permits	2,990	-	2,990
State grants	518,102	-	518,102
Charges for services	93,635	100,938	194,573
Interest and rentals	4,710	1,438	6,148
Other revenue	<u>60,564</u>	<u>25,000</u>	<u>85,564</u>
TOTAL REVENUES	844,278	127,376	971,654
Expenditures			
Current:			
Legislative	8,016	-	8,016
General government	589,285	-	589,285
Public safety	137,475	115,035	252,510
Public works	67,103	-	67,103
Recreation and cultural	83,322	-	83,322
Capital outlay	<u>17,328</u>	<u>-</u>	<u>17,328</u>
TOTAL EXPENDITURES	<u>902,529</u>	<u>115,035</u>	<u>1,017,564</u>
EXCESS OF REVENUES OVER EXPENDITURES	(58,251)	12,341	(45,910)
Fund balances - April 1	<u>798,936</u>	<u>139,626</u>	<u>938,562</u>
Fund balances - March 31	\$ <u>740,685</u>	\$ <u>151,967</u>	\$ <u>892,652</u>

The accompanying notes are an integral part of this statement.

Township of Laketon, Michigan

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND AND BUILDING DEPARTMENT FUND

Year ended March 31, 2004

	<u>General Fund</u>		Variance Favorable (Unfavorable)
	<u>Budget</u>	<u>Actual</u>	
Revenues:			
Taxes	\$166,500	\$164,277	\$ (2,223)
Licenses and permits	2,000	2,990	990
State grants	546,000	518,102	(27,898)
Charges for services	83,000	93,635	10,635
Interest and rentals	11,000	4,710	(6,290)
Other revenues	<u>29,850</u>	<u>60,564</u>	<u>30,714</u>
TOTAL REVENUES	838,350	844,278	5,928
Expenditures:			
Current:			
Legislative	16,016	8,016	8,000
General government	580,202	589,285	(9,083)
Public safety	154,315	137,475	16,840
Public works	70,200	67,103	3,097
Recreation and cultural	86,000	83,322	2,678
Capital outlay	<u>59,000</u>	<u>17,328</u>	<u>41,672</u>
TOTAL EXPENDITURES	<u>965,733</u>	<u>902,529</u>	<u>63,204</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(127,383)	(58,251)	69,132
Fund balance - April 1	<u>798,936</u>	<u>798,936</u>	-
Fund balance - March 31	<u>\$671,553</u>	<u>\$740,685</u>	<u>\$ 69,132</u>

The accompanying notes are an integral part of this statement.

Building Department Fund

<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
\$ -	\$ -	\$ -
-	-	-
-	-	-
101,000	100,938	(62)
800	1,438	638
<u>24,000</u>	<u>25,000</u>	<u>1,000</u>
125,800	127,376	1,576
-	-	-
-	-	-
124,550	115,035	9,515
-	-	-
-	-	-
<u>-</u>	<u>-</u>	<u>-</u>
<u>124,550</u>	<u>115,035</u>	<u>9,515</u>
1,250	12,341	11,091
<u>139,626</u>	<u>139,626</u>	<u>-</u>
<u>\$140,876</u>	<u>\$151,967</u>	<u>\$ 11,091</u>

Township of Laketon, Michigan

COMBINED STATEMENT OF REVENUES AND EXPENDITURES
AND CHANGES IN RETAINED EARNINGS

ALL PROPRIETARY FUND TYPES

Year ended March 31, 2004

Operating revenues	
Charges for services	\$ 264,760
Hook-up fees	<u>81,920</u>
	346,680
Operating expenses	
Salaries and wages	26,106
Office supplies	1,243
Professional and contractual services	11,117
Usage charge	64,621
Depreciation	179,736
Repairs and maintenance	5,108
Hydrant rental	16,080
Miscellaneous	<u>1,707</u>
	305,718
Operating income	40,962
Nonoperating revenues and (expenses)	
Property taxes	101,139
Interest revenue	97,247
Interest expense	(22,306)
Gain (loss) on sale of investments	<u>3,567</u>
Total nonoperating revenues	179,647
NET INCOME	220,609
Add depreciation on fixed assets acquired by grants and other revenues externally restricted for construction	<u>105,467</u>
INCREASE IN RETAINED EARNINGS	326,076
Retained earnings - April 1	<u>4,137,803</u>
Retained earnings - March 31	<u>\$4,463,879</u>

The accompanying notes are an integral part of this statement.

Township of Laketon, Michigan
COMBINED STATEMENT OF CASH FLOWS
ALL PROPRIETARY FUND TYPES

Year ended March 31, 2004

Cash flows from operating activities:	
Net income	\$ 220,609
Adjustments to reconcile net income to net cash provided by operating activities	
Depreciation	179,736
Changes in assets and liabilities:	
Property taxes receivable	2,508
Assessments receivable	19,794
Accounts receivable	(7,677)
Interest receivable	269
Accounts payable	(3,406)
Accrued liabilities	(4,282)
Total adjustments	<u>186,942</u>
Net cash provided by operating activities	407,551
 Cash flows from financing activities:	
Liquidation of contracts payable	(175,827)
Net cash used by financing activities	(175,827)
 Cash flows from investing activities:	
Net change in investments	47,750
Additions to property, plant and equipment and construction in progress	<u>-</u>
Net cash provided by investing activities	<u>47,750</u>
 NET INCREASE IN CASH	279,474
 Cash at beginning of year	<u>1,531,794</u>
 Cash at end of year	<u>\$1,811,268</u>

The accompanying notes are an integral part of this statement.

Township of Laketon, Michigan
NOTES TO FINANCIAL STATEMENTS

March 31, 2004

The Township of Laketon (Muskegon County) is a general law township which operates under an elected Township Board form of government and provides services to its residents in many areas including public safety, highways and streets, sanitation, parks and recreation, planning and zoning and general administrative services.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Township of Laketon, Michigan conform to generally accepted accounting principles as applicable to governments. The following is a summary of the more significant policies:

1. Reporting Entity

In accordance with generally accepted accounting principles and Governmental Accounting Standards Board (GASB) Statement No. 14 "The Financial Reporting Entity", these financial statements present Laketon Township. The criteria established by the GASB for determining the reporting entity includes oversight responsibility, fiscal dependency, and whether the financial statements would be misleading if data were not included. There are no other activities, organizations, boards or commissions meeting the above criteria that should be included as component units in these general purpose financial statements.

2. Fund Accounting

The accounts of the Township are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures, or expenses, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds are grouped, in this report, as follows:

GOVERNMENTAL FUND TYPES

General Fund - This fund is used to account for all financial transactions not accounted for in another fund, including the general operating expenditures of the local unit. Revenues are derived primarily from property taxes and state and federal distributions, grants and other governmental revenues.

Special Revenue Fund - These funds are used to account for specific governmental revenues (other than major capital projects) requiring separate accounting because of legal or regulatory provisions or administrative action.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

March 31, 2004

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

PROPRIETARY FUND TYPES

Enterprise Funds - The Enterprise Funds report operations that provide services which are financed primarily by user charges, or activities where periodic measurement of net income is appropriate for capital maintenance, public policy, management control or other purposes.

FIDUCIARY FUND TYPES

Trust and Agency Funds - The Agency Funds are used to account for assets held by the Township in a trustee capacity or as an agent for individuals, private organizations, other governments, and/or other funds. Fiduciary funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

3. Investments

The accounting treatment applied to investments in the financial statements is to report them at carrying amounts, also known as book value.

4. Fixed Assets and Long-Term Liabilities

The accounting and reporting treatment applied to the fixed assets and long-term liabilities associated with a fund are determined by its measurement focus. All governmental funds are accounted for on a spending or "financial flow" measurement focus. This means that only current assets and current liabilities are generally included on their balance sheets. Their reported fund balance (net current assets) is considered a measure of "available spendable resources". Governmental fund operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Accordingly, they are said to present a summary of sources and uses of "available spendable resources" during a period.

Fixed assets used in governmental fund type operations (general fixed assets) are accounted for in the general fixed assets account group, rather than in governmental funds. Public domain ("infrastructure") general fixed assets consisting of roads, bridges, curbs and gutters, streets and sidewalks, drainage systems, and lighting systems, are not capitalized along with other general fixed assets. No depreciation has been provided on general fixed assets.

All fixed assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated fixed assets are valued at their estimated fair value on the date donated.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

March 31, 2004

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

The account group is not a "fund". It is concerned only with the measurement of financial position. It is not involved with measurement of results of operations.

All proprietary funds are accounted for on a cost of services or "Capital maintenance" measurement focus. This means that all assets and liabilities (whether current or noncurrent) associated with their activity are included on their balance sheets. Their reported fund equity (net total assets) is segregated into contributed capital and retained earnings components. Proprietary fund type operating statements present increases (revenues) and decreases (expenses) in net total assets.

Depreciation of all exhaustible fixed assets used in proprietary funds is charged as an expense against their operations. Accumulated depreciation is reported on the proprietary fund balance sheets. Depreciation has been provided over the estimated useful lives using the straight-line method. The estimated useful lives are as follows:

Sewer system	40 years
Water system	40 years

5. Basis of Accounting

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

All governmental funds are accounted for using the modified accrual basis of accounting. Their revenues are recognized when they become measurable and available as net current assets. Taxpayer assessed income, gross receipts, and sales taxes are considered "measurable" when in the hands of intermediary collecting governments and are recognized as revenues at that time. Anticipated refunds of such taxes are recorded as liabilities and reductions of revenue when they are measurable and their validity seems certain. All major revenues are susceptible to accrual.

Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred. The exception to this general rule is that principal and interest on general long-term debt is recognized when due.

All proprietary funds are accounted for using the accrual basis of accounting. Its revenues are recognized when they are earned, and their expenses are recognized when they are incurred. For purposes of the statement of cash flows, the sewer and water funds consider all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash equivalents.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

March 31, 2004

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

6. Budgets and Budgetary Accounting

The Township follows these procedures in establishing the budgetary data reflected in the financial statements:

- a. On or about March 31, the Township Board submits to the general public a proposed operating budget for the fiscal year commencing the following April 1. The operating budget included proposed expenditures and the means of financing them.
- b. Public hearings are conducted to obtain taxpayer comments.
- c. Prior to April 1, the budget is legally enacted through passage of a resolution.
- d. The Township Board is authorized to transfer budgeted amounts within departments within any fund; however, any revisions that alter the total expenditures of any fund must be approved by the general public.
- e. The budget for the general fund is adopted on a basis consistent with generally accepted accounting principles.
- f. Appropriations for the general fund lapse at the end of the fiscal year.

Budgeted amounts are as originally adopted, or as amended by the Township Board as of March 31, 2004.

7. Property Taxes

Property taxes attach as an enforceable lien on property and are levied as follows: Summer taxes on July 1 are payable through September 14; winter taxes on December 1, are payable through February 14. The Township bills and collects its own property taxes and also taxes for the local and intermediate school districts and the county. Collection of these taxes and remittance of them to the districts and the county are accounted for in the Current Tax Collection Fund. Township property tax revenues are recognized in the period for which they are levied. The Township is permitted by law to levy taxes up to 1.9 mills per \$1,000 of assessed valuation for general governmental services other than the payment of principal and interest on long-term debt and no millage for the payment and interest on long-term debt. The combined tax rate to finance general governmental services for the year ended March 31, 2004, was 1.574 mills.

Township of Laketon, Michigan

NOTES TO FINANCIAL STATEMENTS - CONTINUED

March 31, 2004

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

8. Compensated Absences

Township employees earn vacation and sick leave in varying amounts based on length of service. Unused vacation time and sick leave do not accumulate past March 31 of each fiscal year. No portion of unused sick leave is paid to employees at the time of termination or retirement. It is the Township's policy to recognize the cost of sick leave at the time payments are made.

9. Encumbrances

Encumbrance accounting under which purchase orders, contracts and commitments for the expenditures of monies are recorded in order to reserve that portion of the applicable appropriation, is not employed by the Township.

10. Cash and Cash Equivalents

The Township considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents.

11. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

12. Amortization of Contributed Capital

The contributed capital accounts of the enterprise funds are amortized over the estimated useful lives of the fixed assets acquired with such capital.

13. Total Columns on Combined Statements

Total columns on the combined statements are captioned memorandum only to indicate that they are presented only to facilitate financial analysis. Data in these columns does not present financial position, results of operations or changes in financial position in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

Township of Laketon, Michigan

NOTES TO FINANCIAL STATEMENTS - CONTINUED

March 31, 2004

NOTE B - DEPOSITS AND INVESTMENTS

The Township's deposits are with several financial institutions and are carried at cost; the deposits are composed of interest bearing and non-interest bearing demand deposits and certificates of deposit.

At March 31, 2004, the carrying amount of the Township's deposits was \$2,633,320. Of the bank balance, \$477,469 was covered by federal depository insurance, and the remainder was uninsured. The balances include money held by Muskegon County.

<u>Carrying Amount</u>	<u>Bank Balance</u>	<u>Fund</u>
\$ 515,731	\$ 532,163	General
294,120	291,484	Building Dept.
1,295,682	1,295,774	Sewer
515,586	551,968	Water
<u>12,201</u>	<u>22,763</u>	Tax collection/Trust and Agency
<u>\$2,633,320</u>	<u>\$2,694,152</u>	

Investments

Michigan Compiled Laws Section 129.91 authorizes the Township to deposit and invest in the accounts of federally insured banks, credit unions and savings and loan associations; bonds, securities and other obligations of the United States, or an agency or instrumentality of the United States in which the principal and interest is fully guaranteed by the United States, including securities issued or guaranteed by the Government National Mortgage Association; United States government or Federal agency obligation repurchase agreements; bankers' acceptance of United States banks; mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan; and commercial paper rated by two standard rating agencies within the three highest classifications, which mature not more than 270 days after the date of purchase, and which involves no more than 50 percent of any one fund. Investments accumulated under an eligible deferred compensation plan may be placed, at the authorization of a governing body with a financial institution authorized to do business in this State, a State or Federally licensed investment company or insurance company authorized to do business in this State, a State or Federally licensed investment company or insurance company authorized to do business in this State, or trust established by public employers for the investment of deferred compensation or retirement plans. Such funds shall be invested as directed by the governing body.

Township of Laketon, Michigan

NOTES TO FINANCIAL STATEMENTS - CONTINUED

March 31, 2004

NOTE B - DEPOSITS AND INVESTMENTS - CONTINUED

Michigan law prohibits security in the form of collateral, surety bonds, or other forms for the deposit of public money. The Township has surplus funds invested with Merrill Lynch, Pierce, Fenner and Smith and in Municipal Investment Funds with First of America Bank.

The GASB Statement No. 3 risk disclosures for the Township's investments are as follows:

	<u>1</u>	<u>Category 2</u>	<u>3</u>	<u>Carrying Amount</u>	<u>Market Value</u>
Investments	\$ <u>-</u>	\$ <u>-</u>	\$ <u>1,324,268</u>	\$ <u>1,324,268</u>	\$ <u>1,353,333</u>

Township investments are categorized to give an indication of the level of risk assumed by the Township at March 31, 2004.

1. Insured or Registered, or Securities held by the Township or the Township's agent in the Township's name.
2. Uninsured and Unregistered, with Securities held by the Dealer's Trust Department or its agent in the Township's name.
3. Uninsured and Unregistered, with Securities held by the Dealer, or the Dealer's Trust Department or Agent but not in the Township's name.

NOTE C - INTERFUND RECEIVABLES AND PAYABLES

Details of interfund receivables and payables at March 31, 2004, as follows:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Fund</u>	<u>Interfund Payable</u>
General	\$153,387	Trust and Agency	\$ 484
	-	Building Dept.	142,153
	-	Tax Collection	<u>10,750</u>
	<u>\$153,387</u>		<u>\$ 153,387</u>

Township of Laketon, Michigan

NOTES TO FINANCIAL STATEMENTS - CONTINUED

March 31, 2004

NOTE D - PROPERTY, PLANT AND EQUIPMENT

The components of fixed assets at March 31, 2004, are summarized as follows:

	<u>Enterprise</u>	General Fixed Assets Account <u>Groups</u>	<u>Totals</u>
Land and improvements	\$ -	\$ 483,518	\$ 483,518
Buildings and grounds	-	358,496	358,496
Machinery and equipment	-	232,185	232,185
Office furniture	-	67,177	67,177
Sewage disposal system	6,612,893	-	6,612,893
Water supply system	576,539	-	576,539
Construction in progress	<u>184,530</u>	<u>-</u>	<u>184,530</u>
Total	7,373,962	1,141,376	8,515,338
Less allowance for accumulated depreciation	<u>(3,878,489)</u>	<u>-</u>	<u>(3,878,489)</u>
	<u>\$3,495,473</u>	<u>\$1,141,376</u>	<u>\$4,636,849</u>

A summary of changes in general fixed assets follows:

	Balance April 1 2003	Addi- tions	Dele- tions	Balance March 31 2004
Land and improvements	\$ 487,750	\$ 9,500	\$ 13,732	\$ 483,518
Buildings and grounds	374,182	-	15,686	358,496
Machinery and equipment	287,804	-	55,619	232,185
Office fixtures	<u>140,760</u>	<u>-</u>	<u>73,583</u>	<u>67,177</u>
	<u>\$1,290,496</u>	<u>\$ 9,500</u>	<u>\$158,620</u>	<u>\$1,141,376</u>

NOTE E - DEBT

The following is a summary of long-term debt transactions of the Township for the year ended March 31, 2004:

Contracts payable at April 1, 2003	\$ 619,960
Contracts received	-
Contracts retired	<u>(175,827)</u>
Contracts payable at March 31, 2004	<u>\$ 444,133</u>

Township of Laketon, Michigan

NOTES TO FINANCIAL STATEMENTS - CONTINUED

March 31, 2004

NOTE E - DEBT - CONTINUED

Long-term debt at March 31, 2004, is comprised of the following individual issues:

Wastewater system construction bonds due in annual installments of \$150,000 through May 1, 2004, plus interest at 6.40%	\$ 150,000
--	------------

The Township has a 1.0% interest in the total issue of the Wastewater Management System Revenue Bonds of \$17,000,000 due in annual installments of \$2,450 to \$8,500 through July 1, 2026, plus interest at 3.2% to 5.0% per annum	168,700
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The Township has a 1.245% interest in the total issue of the Wastewater Improvement Refunding Bonds of \$13,750,000 due in annual installments of \$20,543 to \$20,978 through July 1, 2005, plus interest at 5.1% to 5.7% per annum	41,521
--	--------

The Township has a 1.245% interest in the total issue of the Wastewater Improvement Refunding Bonds of \$6,990,000 due in annual installments of \$2,614 to \$26,020 through July 1, 2008, plus interest at 2.0% to 5.0% per annum	<u>83,912</u>
--	---------------

\$ 444,133

The Township contracted with the County of Muskegon for the construction of a wastewater management system known as Township of Laketon Sewer Fund. Under the terms of said contract, the County shall be the owner. To defray the cost of the system, the County issued bonds in the aggregate principal sum of \$2,800,000. The Township will meet its contractual obligations for the principal and interest payments by rate charges to users of the system.

The wastewater improvement bonds were issued for the acquisition, construction and financing of capital improvements to the existing wastewater management system.

The Township contracted with the County of Muskegon for the continued construction of a wastewater management system. Under terms of the contract, the County shall be the owner. To defray the cost of the system, the County issued bonds in the aggregate principal sum of \$17,000,000. The Township has

Township of Laketon, Michigan

NOTES TO FINANCIAL STATEMENTS - CONTINUED

March 31, 2004

NOTE E - DEBT - CONTINUED

a 1% interest totaling \$170,000. The Township will meet its contractual obligation for the principal and interest payments by rate charges to users of the system.

The annual requirement to pay principal and interest on long-term debt outstanding at March 31, 2004 is as follows:

<u>Fiscal year ending March 31</u>	<u>Total</u>
2005	\$ 194,430
2006	39,239
2007	39,785
2008	39,516
2009	39,247
2010-2014	74,290
2015-2019	64,631
2020-2024	54,190
2025-2027	<u>27,414</u>
	<u>\$ 572,742</u>

NOTE F - SEGMENT INFORMATION FOR ENTERPRISE FUND

The Township maintains two enterprise funds which provide sewer and water services for its residents. Segment information for the year ended March 31, 2004, was as follows:

	<u>Sewer Fund</u>	<u>Water Fund</u>	<u>Total</u>
Operating revenues	\$ 327,208	\$ 19,472	\$ 346,680
Depreciation expense	165,322	14,414	179,736
Operating income (loss)	84,708	(43,746)	40,962
Net income	251,413	(30,804)	220,609
Net working capital	2,518,087	540,286	3,058,373
Total assets	5,766,431	1,045,893	6,812,324
Long-term liabilities - payable			
from operating revenues	268,091	-	268,091
Total equity	5,310,889	1,042,102	6,352,991

Township of Laketon, Michigan

NOTES TO FINANCIAL STATEMENTS - CONTINUED

March 31, 2004

NOTE G - PENSION PLAN

The Township has a pension plan covering qualified employees in which the Township contributes all of the required contributions (money purchase plan) for the year. Total contributions by the Township for the year ended March 31, 2004, were \$71,399. All costs during the year associated with the plan were paid currently.

NOTE H - EXCESS OF EXPENDITURES OVER APPROPRIATIONS IN BUDGETARY FUNDS

In the body of the financial statements, the Township's actual expenditures and budgeted expenditures have been reported on a functional basis. The approved budgets of the Township for these budgetary funds were adopted to the activity level. During the year ended March 31, 2004, the Township incurred expenditures in certain budgetary funds which were in excess of the amounts appropriated as follows:

	<u>Total appropriations</u>	<u>Actual expenditures</u>	<u>Budget variance</u>
General fund			
Board of Review	1,200	1,490	290
Building & Grounds	288,302	320,730	32,428
Drains	4,000	4,938	938
Street lights	23,600	30,611	7,011

NOTE I - RISK MANAGEMENT

The Township of Laketon is exposed to various risks of loss related to property loss, torts, errors and omissions, employee injuries, as well as medical benefits provided to employees. The Township has purchased commercial insurance for medical benefits and participates in the Michigan Municipal Workmen's Compensation Fund for workmen's compensation claims and the Michigan Municipal Liability and Property Pool for claims relating to general liability, excess liability, auto liability, trunkline liability, errors and omissions, physical damage (equipment, buildings and contents). Settled claims for the commercial insurance have not exceeded the amount of insurance coverage in any of the past three years.

The local units in the State of Michigan established and created the above mentioned pools pursuant to the provisions of Act 138 of the Michigan Public Acts of 1982. These Pools are

Township of Laketon, Michigan

NOTES TO FINANCIAL STATEMENTS - CONTINUED

March 31, 2004

NOTE I - RISK MANAGEMENT - CONTINUED

to provide for joint and cooperative action relative to Members' financial and administrative resources for the purpose of providing risk management services along with property and liability protection. Membership is restricted to local units and related local unit activities within the state.

SUPPLEMENTAL INFORMATION

Township of Laketon, Michigan

STATEMENT OF EXPENDITURES - BUDGET AND ACTUAL - DETAILED
GENERAL FUND
Year ended March 31, 2004

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
Legislative			
Governing body			
Salaries and wages	\$ 16,016	\$ 8,016	\$ 8,000
Total Legislative	16,016	8,016	8,000
General government			
Supervisor			
Salaries and wages	46,332	46,332	-
Elections			
Salaries and wages	2,200	-	2,200
Office supplies	500	172	328
Education	200	-	200
Miscellaneous	1,000	380	620
	3,900	552	3,348
Auditor			
Professional and contractual services	6,000	3,680	2,320
Engineering			
Professional and contractual services	2,500	-	2,500
Assessor			
Wages	24,600	24,717	(117)
Professional and contractual services	20,000	20,000	-
Miscellaneous	4,000	3,251	749
	48,600	47,968	632
Attorney			
Professional and contractual services	22,000	16,630	5,370
Clerk			
Salaries and wages	39,792	39,792	-
Board of Review			
Salaries and wages	600	866	(266)
Office supplies	100	47	53
Miscellaneous	500	577	(77)
	1,200	1,490	(290)

The accompanying notes are an integral part of this statement.

Township of Laketon, Michigan

STATEMENT OF EXPENDITURES - BUDGET AND ACTUAL - DETAILED - CONTINUED
GENERAL FUND

Year ended March 31, 2004

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
General Government - continued			
Treasurer			
Salaries and wages	30,720	30,120	600
Building and Grounds			
Salaries and wages	21,800	15,071	6,729
Office supplies	6,000	5,361	639
Postage	2,200	2,590	(390)
Telephone	6,000	5,866	134
Insurance, bonds and pension	212,600	246,406	(33,806)
Public utilities	9,000	11,212	(2,212)
Repairs and maintenance	5,000	2,730	2,270
Advertising	1,000	775	225
Education	4,500	7,177	(2,677)
Unemployment	2,000	-	2,000
Transportation	3,000	1,701	1,299
Muskegon Area First	5,600	4,132	1,468
Miscellaneous	<u>9,602</u>	<u>17,709</u>	<u>(8,107)</u>
	288,302	320,730	(32,428)
Cemetery			
Salaries and wages	41,500	46,217	(4,717)
Administration	7,956	-	7,956
Telephone	600	475	125
Public utilities	1,200	1,044	156
Repairs and maintenance	4,500	3,062	1,438
Miscellaneous	<u>2,000</u>	<u>447</u>	<u>1,553</u>
	57,756	51,245	6,511
Service Building and Grounds			
Wages	28,000	26,842	1,158
Maintenance	2,000	2,086	(86)
Gas and oil	3,000	1,818	1,182
Utilities	<u>100</u>	<u>-</u>	<u>100</u>
	<u>33,100</u>	<u>30,746</u>	<u>2,354</u>
Total General Government	580,202	589,285	(9,083)
Public Safety			
Fire Department			
Professional and			
contractual services	78,000	75,380	2,620

The accompanying notes are an integral part of this statement.

Township of Laketon, Michigan

STATEMENT OF EXPENDITURES - BUDGET AND ACTUAL - DETAILED - CONTINUED
GENERAL FUND

March 31, 2004

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
Public Safety - continued			
Police Protection			
Professional and contractual services	<u>36,815</u>	<u>36,815</u>	<u>-</u>
	36,815	36,815	-
Planning Commission			
Salaries and wages	19,500	18,080	1,420
Office supplies	1,000	78	922
Professional services	9,000	2,355	6,645
Advertising	3,000	337	2,663
Miscellaneous	<u>5,000</u>	<u>2,609</u>	<u>2,391</u>
	37,500	23,459	14,041
Appeal Board			
Salaries and wages	800	847	(47)
Advertising	700	974	(274)
Miscellaneous	<u>500</u>	<u>-</u>	<u>500</u>
	<u>2,000</u>	<u>1,821</u>	<u>179</u>
Total Public Safety	154,315	137,475	16,840
Public Works			
Drains			
Drain projects	4,000	4,938	(938)
Street lighting			
Public utilities	23,600	30,611	(7,011)
Road construction			
Road projects	1,500	1,343	157
Street signs and posts	<u>500</u>	<u>-</u>	<u>500</u>
	2,000	1,343	657
Sanitation			
Wages	11,400	9,021	2,379
Landfill rental	<u>29,200</u>	<u>21,190</u>	<u>8,010</u>
	<u>40,600</u>	<u>30,211</u>	<u>10,389</u>
Total Public Works	70,200	67,103	3,097

The accompanying notes are an integral part of this statement.

Township of Laketon, Michigan

STATEMENT OF EXPENDITURES - BUDGET AND ACTUAL - DETAILED - CONTINUED
GENERAL FUND

March 31, 2004

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
Recreation and Cultural			
Parks			
Salaries and wages	29,500	36,521	(7,021)
Public utilities	8,000	3,798	4,202
Repairs and maintenance	6,000	7,412	(1,412)
Professional services	12,000	6,182	5,818
Recreation program -			
Reeths Puffer	21,000	21,189	(189)
Miscellaneous	<u>6,000</u>	<u>4,720</u>	<u>1,280</u>
	82,500	79,822	2,678
Library			
Professional and			
contractual services	<u>3,500</u>	<u>3,500</u>	<u>-</u>
Total Recreation and Cultural	86,000	83,322	2,678
Other			
Capital outlay	<u>59,000</u>	<u>17,328</u>	<u>41,672</u>
	<u>\$ 965,733</u>	<u>\$902,529</u>	<u>\$ 63,204</u>

The accompanying notes are an integral part of this statement.

Township of Laketon, Michigan

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

BUDGET AND ACTUAL - BUILDING DEPARTMENT FUND

Year ended March 31, 2004

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
Revenues			
Charges for services	\$101,000	\$100,938	\$ (62)
Interest revenue	800	1,438	638
Reimbursements	<u>24,000</u>	<u>25,000</u>	<u>1,000</u>
TOTAL REVENUES	125,800	127,376	1,576
Expenditures			
Salaries	26,000	26,548	(548)
Contracted services	68,400	69,095	(695)
Office supplies	150	7	143
Administration	29,000	19,106	9,894
Miscellaneous	<u>1,000</u>	<u>279</u>	<u>721</u>
TOTAL EXPENDITURES	<u>124,550</u>	<u>115,035</u>	<u>9,515</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	1,250	12,341	11,091
Fund balance April 1	<u>139,626</u>	<u>139,626</u>	-
Fund balance March 31	<u>\$140,876</u>	<u>\$151,967</u>	<u>\$ 11,091</u>

The accompanying notes are an integral part of this statement.

Township of Laketon, Michigan
COMBINING BALANCE SHEET
ALL PROPRIETARY FUND TYPES

March 31, 2004

	<u>Sewage Disposal System</u>	<u>Water Supply System</u>	<u>Total (Memorandum Only)</u>
ASSETS			
CURRENT ASSETS			
Cash	\$1,295,682	\$ 515,586	\$1,811,268
Investments (approximate market value \$1,353,333)	1,324,268	-	1,324,268
Receivables			
Property taxes	8,760	-	8,760
Assessments - Current	-	12,392	12,392
Accounts	74,660	4,039	78,699
Investment interest	2,168	-	2,168
Prepaid rent	-	12,060	12,060
	<u>2,705,538</u>	<u>544,077</u>	<u>3,249,615</u>
PROPERTY AND EQUIPMENT			
Property, plant and equipment	6,612,893	576,539	7,189,432
Construction in progress	184,530	-	184,530
Less accumulated depreciation	<u>(3,736,530)</u>	<u>(141,959)</u>	<u>(3,878,489)</u>
	3,060,893	434,580	3,495,473
OTHER ASSETS			
Assessments receivable	-	67,236	67,236
	<u>\$5,766,431</u>	<u>\$1,045,893</u>	<u>\$6,812,324</u>
LIABILITIES AND FUND EQUITY			
CURRENT LIABILITIES			
Current maturities of long- term debt	\$ 176,042	\$ -	\$ 176,042
Accounts payable	5,837	3,791	9,628
Accrued liabilities	<u>5,572</u>	<u>-</u>	<u>5,572</u>
	187,451	3,791	191,242
LONG-TERM DEBT	268,091	-	268,091
FUND EQUITY			
Contributions in aid of const.	3,429,583	554,609	3,984,192
Less amortization	<u>(1,957,234)</u>	<u>(137,846)</u>	<u>(2,095,080)</u>
	1,472,349	416,763	1,889,112
Retained earnings			
Unreserved	<u>3,838,540</u>	<u>625,339</u>	<u>4,463,879</u>
	<u>5,310,889</u>	<u>1,042,102</u>	<u>6,352,991</u>
	<u>\$5,766,431</u>	<u>\$1,045,893</u>	<u>\$6,812,324</u>

The accompanying notes are an integral part of this statement.

Township of Laketon, Michigan

COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN RETAINED EARNINGS

ALL PROPRIETARY FUND TYPES

Year ended March 31, 2004

	Sewage Disposal System	Water Supply System	Total (Memorandum Only)
Operating revenues			
Charges for services	\$ 262,615	\$ 2,145	\$ 264,760
Hook-up fees	<u>64,593</u>	<u>17,327</u>	<u>81,920</u>
	327,208	19,472	346,680
Operating expenses			
Salaries and wages	13,053	13,053	26,106
Office supplies	1,239	4	1,243
Professional and contractual services	9,987	1,130	11,117
Usage charge	50,929	13,692	64,621
Depreciation	165,322	14,414	179,736
Repairs and maintenance	374	4,734	5,108
Hydrant rental	-	16,080	16,080
Miscellaneous	<u>1,596</u>	<u>111</u>	<u>1,707</u>
	242,500	63,218	305,718
Operating income	84,708	(43,746)	40,962
Nonoperating revenues and (expenses)			
Property taxes	101,139	-	101,139
Interest revenue	84,305	12,942	97,247
Interest expense	(22,306)	-	(22,306)
Gain (loss) on sale of investments	<u>3,567</u>	<u>-</u>	<u>3,567</u>
Total nonoperating revenues	166,705	12,942	179,647
NET INCOME	251,413	(30,804)	220,609
Add depreciation on fixed assets acquired by grants and other revenues externally restricted for construction	<u>91,602</u>	<u>13,865</u>	<u>105,467</u>
INCREASE IN RETAINED EARNINGS	343,015	(16,939)	326,076
Retained earnings - April 1	<u>3,495,525</u>	<u>642,278</u>	<u>4,137,803</u>
Retained earnings - March 31	<u>\$3,838,540</u>	<u>\$625,339</u>	<u>\$4,463,879</u>

The accompanying notes are an integral part of this statement.

Township of Laketon, Michigan

COMBINING STATEMENT OF CASH FLOWS

PROPRIETARY FUND TYPES

Year ended March 31, 2004

	Sewage Disposal System	Water Supply System	Total (Memorandum Only)
Cash flows from operating activities:			
Net income (loss)	\$ 251,413	\$ (30,804)	\$ 220,609
Adjustments to reconcile net income to net cash provided by operating activities			
Depreciation	165,322	14,414	179,736
Changes in assets and liabilities:			
Property taxes receivable	2,508	-	2,508
Assessments receivable	-	19,794	19,794
Accounts receivable	(6,479)	(1,198)	(7,677)
Interest receivable	269	-	269
Accounts payable	(4,588)	1,182	(3,406)
Accrued liabilities	(4,282)	-	(4,282)
Total adjustments	<u>152,750</u>	<u>34,192</u>	<u>186,942</u>
Net cash provided by operating activities	404,163	3,388	407,551
Cash flows from financing activities:			
Liquidation of contracts payable (net)	<u>(175,827)</u>	<u>-</u>	<u>(175,827)</u>
Net cash used by financing activities	(175,827)	-	(175,827)
Cash flows from investing activities:			
Net change in investments	47,750	-	47,750
Additions to property, plant and equipment and construction in progress	<u>-</u>	<u>-</u>	<u>-</u>
Net cash provided (used) by investing activities	<u>47,750</u>	<u>-</u>	<u>47,750</u>
NET INCREASE IN CASH	276,086	3,388	279,474
Cash at beginning of year	<u>1,019,596</u>	<u>512,198</u>	<u>1,531,794</u>
Cash at end of year	\$ <u>1,295,682</u>	\$ <u>515,586</u>	\$ <u>1,811,268</u>

The accompanying notes are an integral part of this statement.

Township of Laketon, Michigan

STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
CURRENT TAX COLLECTION FUND AND TRUST AND AGENCY

Year ended March 31, 2004

	Balance April 1, 2003	Additions	Deductions	Balance March 31, 2004
ASSETS				
Cash and investments	\$ 17,331	\$4,860,054	\$4,865,184	\$ 12,201
Due from other funds	<u>5,034</u>	<u>-</u>	<u>5,034</u>	<u>-</u>
Total assets	<u>\$ 22,365</u>	<u>\$4,860,054</u>	<u>\$4,870,218</u>	<u>\$ 12,201</u>
LIABILITIES				
Due to other funds	\$ 231	\$ 384,395	\$ 373,392	\$ 11,234
Due to county	7,164	1,427,479	1,434,643	-
Due to schools	14,509	2,223,685	2,238,194	-
Due to state	461	809,642	809,136	967
Other	<u>-</u>	<u>14,853</u>	<u>14,853</u>	<u>-</u>
Total liabilities	<u>\$ 22,365</u>	<u>\$4,860,054</u>	<u>\$4,870,218</u>	<u>\$ 12,201</u>

The accompanying notes are an integral part of this statement.

Township of Laketon, Michigan

SCHEDULE OF INDEBTEDNESS

March 31, 2004

Enterprise Fund

Contracts payable

Muskegon County Wastewater Management System -
Number 1 (Laketon Township Extension) bonds

1996 Refunding bonds

Number 2 - Revenue Bonds - Series 2002

The accompanying notes are an integral part of this statement.

<u>Date of issue</u>	<u>Amount of issue</u>	<u>Interest rate</u>	<u>Date of maturity</u>	<u>March 31 2003</u>	<u>March 31 2004</u>	<u>Annual interest payable</u>
12-06-78	\$2,800,000	6.40	5/01/03	150,000	-	-
		6.40	5/01/04	<u>150,000</u>	<u>150,000</u>	<u>4,800</u>
				300,000	150,000	4,800
5-01-96	171,188	5.0	7/01/03	21,414	-	-
		5.1	7/01/04	20,978	20,978	1,706
		5.7	7/01/05	<u>20,543</u>	<u>20,543</u>	<u>585</u>
				62,935	41,521	2,291
1-15-02	170,000	3.20	7/01/03	1,300	-	-
		3.20	7/01/04	2,450	2,450	7,833
		3.50	7/01/05	3,900	3,900	7,725
		3.70	7/01/06	1,700	1,700	7,626
		4.00	7/01/07	3,100	3,100	7,532
		4.125	7/01/08	4,550	4,550	7,376
		4.250	7/01/09	8,500	8,500	7,102
		4.375	7/01/10	8,500	8,500	6,735
		4.375	7/01/11	8,500	8,500	6,363
		4.50	7/01/12	8,500	8,500	5,986
		4.50	7/01/13	8,500	8,500	5,604
		4.50	7/01/14	8,500	8,500	5,221
		4.625	7/01/15	8,500	8,500	4,833
		4.750	7/01/16	8,500	8,500	4,435
		4.80	7/01/17	8,500	8,500	4,029
		5.00	7/01/18	8,500	8,500	3,613
		5.00	7/01/19	8,500	8,500	3,188
		5.00	7/01/20	8,500	8,500	2,763
		5.00	7/01/21	8,500	8,500	2,338
		5.00	7/01/22	8,500	8,500	1,913
		5.00	7/01/23	8,500	8,500	1,488
		5.00	7/01/24	8,500	8,500	1,063
		5.00	7/01/25	8,500	8,500	638
		5.00	7/01/26	<u>8,500</u>	<u>8,500</u>	<u>213</u>
				170,000	168,700	105,617

Township of Laketon, Michigan

SCHEDULE OF INDEBTEDNESS - CONTINUED

March 31, 2004

Enterprise Fund
Contracts payable
2002 Refunding bonds

The accompanying notes are an integral part of this statement.

<u>Date of issue</u>	<u>Amount of issue</u>	<u>Interest rate</u>	<u>Date of maturity</u>	<u>March 31 2003</u>	<u>March 31 2004</u>	<u>Annual interest payable</u>
11-06-02	87,025	1.80	7/01/03	3,113	-	-
		2.00	7/01/04	2,614	2,614	4,049
		2.25	7/01/05	2,490	2,490	3,996
		5.00	7/01/06	26,519	26,519	3,940
		5.00	7/01/07	26,269	26,269	2,615
		5.00	7/01/08	26,020	26,020	1,301
				<u>87,025</u>	<u>83,912</u>	<u>15,901</u>
				<u>\$ 619,960</u>	<u>\$ 444,133</u>	<u>\$128,609</u>

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July 16, 2004

Members of the Township Board
Township of Laketon, Michigan

In connection with my examination of the balance sheets of the various funds of the Township of Laketon as of March 31, 2004, and the related statements of revenues, expenditures and fund balances of the year then ended, I have reviewed the accounting policies and procedures employed by the Township and the internal controls in effect. As a result of this review, I wish to make certain comments and recommendations.

I have examined the financial statements of the Township of Laketon, Michigan, for the year ended March 31, 2004, and have issued our report thereon dated July 16, 2004. As part of our examination, we made a study and evaluation of the system of internal accounting control of the Township of Laketon, Michigan, to the extent we considered necessary to evaluate the system as required by generally accepted auditing standards and the standards for financial and compliance audits contained in the U.S. General Accounting Office "Standards for Audit of Governmental Organizations, Programs, Activities and Functions". For the purpose of this report, we have classified the significant internal accounting controls in the following categories: Cycles of the entity's Activity, Financial Statement Captions and Accounting Applications. Our study included all of the control categories listed above. The purpose of our study and evaluation was to determine the nature, timing and extent of the auditing procedures necessary for expressing an opinion on the entity's financial statements. Our study and evaluation was more limited than would be necessary to express an opinion on the system of internal accounting control taken as a whole or on any of the categories of controls identified above.

The management of the Township of Laketon, Michigan, is responsible for establishing and maintaining a system of internal accounting control. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of control procedures. The objectives of a system are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles. Because of inherent limitations in any system of internal accounting control, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the system to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the degree of compliance with the procedures may deteriorate.

My study and evaluation made for the limited purposes described in the first paragraph would not necessarily disclose all material weaknesses in the system. Accordingly, I do not express an opinion on the system of internal accounting control of the Township taken as a whole. However, my study and evaluation disclosed that the internal controls are not adequate to reduce to a relatively low risk that errors or irregularities in amounts that would be material in relation to the financial statements of the Township may occur and not be detected within a timely period. This is because of a lack of segregation of duties due to the limited number of accounting personnel. Accordingly, substantive testing has been increased to reduce to an acceptable level the audit risk associated with this situation.

This report is intended solely for the use of management and the State of Michigan, Michigan Department of Treasury, and should not be used for any other purpose.

A budget is required by the State Constitution, State Statutes and P. A. 621 of 1989 as amended, and is the only basis for spending. A local unit cannot overspend its adopted budget unless a change in the budget is approved by the Township Board. During the past fiscal year the Township overspent in several departments and underspent in other departments. In order to prevent this from happening in the future, I would suggest that financial statements be submitted to the Board at least quarterly, which would show departmentally the adopted budget, amount spent to date, and the unexpended balance in the account. Then, if it became apparent that a department needed additional funds, the Board could amend the budget to cover the anticipated deficiency. Any amendment to the adopted budget or any transfer of monies between funds should be authorized by resolution of the Board and recorded in the minutes.

The Township has experienced substantial growth over the past few years. As it continues to grow, consideration should be given to the hiring of a qualified full-time bookkeeper if necessary. In addition township management should designate and cross-train personnel who are capable of "backing up" the bookkeeper in the event of illness, vacation, or other extended absences. This would ensure that the accounting records are properly maintained and that the day-to-day paperwork is correctly processed on a timely basis.

Township personnel should obtain, on a periodic basis, information from Muskegon County concerning new bond issues, use of bond proceeds for construction and other costs, interest income on township monies and bond principal and interest payments deemed to be paid from water purchases and sewage treatment charges. This information should then be entered into the Township's accounting records.

The Township should consider using more financial institutions in order to maximize Federal Deposit Insurance Corporation (FDIC) coverage on their bank accounts. The Township had deposits of \$2,633,320 of which approximately \$2,155,851 was not covered by the FDIC.

Monthly bank reconciliations should be compared to the corresponding general ledger cash balance and any differences investigated and corrected.

Members of the Township Board
Township of Laketon, Michigan

3

In conclusion, I wish to state that I have had excellent cooperation from all personnel involved in the recordkeeping area and look forward to more of the same in the future.

All of the above comments and recommendations have been discussed with Township officials who have indicated to me that the Township will attempt to comply with them. These comments and recommendations are intended to be only of a constructive nature as I am sure they will continue to improve your accounting system. I would be available at any time in order to discuss these comments and recommendations.

Respectfully submitted,

 Calvin D. Meeusen Company CPA. PLLC

Calvin D. Meeusen, C.P.A.